

Interstate Commerce Commission
Washington, D.C.

RECORDATION NO. 9431 Filed & Recorded

JUN 8 1978 -2 44 PM

Gentlemen:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and three counterparts of an Equipment Lease No. 2 dated as of March 1, 1978.

A general description of the railroad rolling stock covered by the enclosed documents is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee under Chicago North Western
Trust No. 78-1
231 South LaSalle Street
Chicago, Illinois 60693

Lessee: Chicago and North Western Transportation
Company
400 West Madison Street
Chicago, Illinois 60606

The undersigned is the Lessor mentioned in the enclosed documents and has knowledge of the matters set forth therein.


Please return the original and two copies of the Equipment Lease No. 2 to Robert Nash, Chapman and Cutler, 111 West Monroe, Chicago, Illinois 60603.

Enclosed is a check in the amount of \$50.00 covering the filing fee.

Very truly yours,

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF
CHICAGO, as Trustee under
Chicago North Western Trust No. 78-1

By


Vice President

Enclosures

DESCRIPTION OF EQUIPMENT

<u>Description</u>	<u>Quantity</u>
Enclosed Tri-Level Auto Racks	175
Enclosed Bi-Level Auto Racks	25

MAY 24 1978

RECORDATION NO. 9131 Filed & Recorded

JUN 8 1978 -2 1A PM

EQUIPMENT LEASE NO. 2

MINNESOTA COMMERCE COMMISSION

Dated as of March 1, 1978

Between

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY
OF CHICAGO,
as Trustee under Chicago North Western Trust No. 78-1

LESSOR

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

LESSEE

(Chicago North Western Trust No. 78-1)
(200 Enclosed Auto Racks)

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Attachments to Equipment Lease:

Schedule A - Description of Auto Racks
Schedule B - Certificate of Acceptance Under Equipment Lease
Schedule C - Schedule of Casualty Value
Schedule D - Schedule of Insurance

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

EQUIPMENT LEASE NO. 2

THIS EQUIPMENT LEASE NO. 2 dated as of March 1, 1978 between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, as trustee (the "Lessor") under an Amended and Restated Equipment Leasing Trust Agreement dated as of March 1, 1978 with COBAK CORPORATION, a Delaware corporation (the "Trustor"), providing for the creation of the trust known as Chicago North Western Trust No. 78-1, and CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

That for and in consideration of the premises and of the rental to be paid and the covenants hereinafter mentioned the parties hereby agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. The Lessor is acquiring certain equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedule A attached hereto and made a part hereof and, upon delivery of each Item of Equipment by WHITEHEAD AND KALES COMPANY as manufacturer thereof (hereinafter referred to as the "Manufacturer"), the Lessee shall lease and let such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth. The Lessor, the Lessee and the Trustor have entered into a Participation Agreement dated as of March 1, 1978 (the "Participation Agreement") with Harris Trust and Savings Bank, as Security Trustee (the "Security Trustee") and the parties named in Schedule 1 (the "Lenders") to the Participation Agreement, setting forth the understanding and agreement of said parties as to the arrangements for payment by the Lessor of the cost of purchase of said Equipment.

1.2. Delivery and Acceptance of Items. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and the Manufacturer a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Item of Equipment; provided, however, that the Lessee shall

not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after the Outside Delivery Date therefor set forth in Schedule A hereto.

1.3. Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements. The Lessee's execution and delivery to the Lessor and the Manufacturer of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to new railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor, on the dates provided in Section 2.3 hereof, the following rentals for each Item of Equipment leased hereunder:

(a) Interim Rental. For each Item of Equipment, one (1) installment of interim rental ("Interim Rental") on the Purchase Price of such Item (as set forth in Schedule A hereto) at a rate per annum (computed on the basis of the actual number of elapsed days) equal to 125% of the Continental Prime Rate, which rate shall change when and as said Continental Prime Rate changes, for the period from and including the date on which such Item is accepted hereunder by the Lessee to, but not including, the Term Lease Commencement Date (as hereinafter defined) for such Item.

Continental Prime Rate shall mean the rate of interest charged from time to time by Continental Illinois National Bank and Trust Company of Chicago to its largest and most credit-worthy commercial borrowers on 90-day unsecured commercial loans.

(b) Fixed Rental. For each Item of Equipment, forty (40) consecutive quarterly installments of rental (the "Fixed Rental"), each in the amount set forth in Schedule A hereto.

2.2. Adjustment of Rentals. In determining the amount of each installment of Fixed Rental payable pursuant to Section

2.1 hereof, the Trustor and the Lessee have assumed the following: (a) that on each Closing Date (as defined in the Participation Agreement) the Lenders will make the loans in the amounts and in the manner contemplated by the Participation Agreement; and (b) that the interest rate payable in respect of the Secured Notes (the "Term Notes") issued or to be issued to the Lenders by the Lessor to finance a portion of the Purchase Price of Equipment (as defined in the Participation Agreement) shall be at the rate of 9% per annum for as long as the Term Notes remain outstanding. In the event that: (x) any Lender shall fail to make its respective loan on a Closing Date; or (y) the interest rate payable in respect of the Term Notes shall at any time be or become more or less than 9% per annum, each of the unpaid installments of Fixed Rental and the Casualty Values shall be adjusted to an amount as shall, in the reasonable opinion of the Trustor, cause the Trustor's after-tax economic yields and cash flows (computed on the same assumptions, including tax rates, as were utilized by the Trustor in originally evaluating this transaction) to equal the after-tax economic yields and cash flows that would have been realized by the Trustor if the Lenders had made their loans pursuant to the Participation Agreement or such interest rate had not changed; provided, that the Fixed Rental and the Casualty Values, as so adjusted, with respect to any Item of Equipment shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Term Notes due and payable on each rent payment date under this Lease.

2.3. Rental Payment Dates. The installment of Interim Rental and the installments of Fixed Rental for each Item of Equipment shall be due and payable as follows:

<u>Date of Delivery and Acceptance</u>	<u>Term Lease Commencement Date and Date for Payment of Interim Rental</u>	<u>Date for Payment of Fixed Rental</u>
Items delivered and accepted during the period from April 1, 1978 to and including June 30, 1978	July 12, 1978	Forty (40) quarterly installments, payable on October 12, 1978 and on the 12th day of each January, April, July and October thereafter to and including July 12, 1988
Items delivered and accepted during the period from July 1, 1978 to and including September 30, 1978	October 12, 1978	Forty (40) quarterly installments, payable on January 12, 1979 and on the 12th day of each April, July, October and January thereafter to and including October 12, 1988

<u>Date of Delivery and Acceptance</u>	<u>Term Lease Commencement Date and Date for Payment of Interim Rental</u>	<u>Date for Payment of Fixed Rental</u>
Items delivered and accepted during the period from October 1, 1978 to and including December 31, 1978	January 12, 1979	Forty (40) quarterly installments, payable on April 12, 1979 and on the 12th day of each July, October, January and April thereafter to and including January 12, 1989
Items delivered and accepted during the period from January 1, 1979 to and including March 31, 1979	April 12, 1979	Forty (40) quarterly installments, payable on July 12, 1979 and on the 12th day of each October, January, April and July thereafter to and including April 12, 1989

Each of the dates set forth in this Section 2.3 under the heading entitled "Term Lease Commencement Date and Date for Payment of Interim Rental" is hereinafter individually referred to as "Term Lease Commencement Date." If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

2.4. Place of Rent Payment. The Lessor irrevocably instructs the Lessee to make all payments [other than as provided in the next following sentence of this Section 2.4 and other than payments owing to the Lessor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.3 hereof or payments due or becoming due following the payment in full of all principal, premium, if any, and interest on the Term Notes of the Lessor issued pursuant to the Participation Agreement and the Interim Notes (the "Interim Notes") of the Lessor issued pursuant to the Amended Interim Loan Agreement dated as of March 1, 1978 (the "Interim Loan Agreement") between the Lessor and Continental Illinois Leasing Corporation (the "Interim Lender"), which payments shall be made directly to the Lessor or the Trustor at such place and in such manner as the Lessor shall specify to the Lessee in writing] provided for in this Lease at the principal office of the Security Trustee for the account of the Lessor payable to the Security Trustee, with instructions to the Security Trustee, first, to apply such payments to satisfy the obligations of the Lessor in respect of the Term Notes known to the Security Trustee to be due and payable on the date such payments are due and payable hereunder, and second, so long as no Event of Default hereunder or under the

First Security Agreement-Trust Deed dated as of March 1, 1978 (the "Security Agreement") between the Lessor and the Security Trustee shall have occurred and be continuing, to pay any balance promptly to the Lessor. The Lessor further irrevocably instructs the Lessee to make payments in respect of the Interim Notes directly to the Interim Lender in accordance with the terms of the Interim Note Agreement. The Interim Notes and the Term Notes are hereinafter collectively referred to as the "Notes". The Lessee agrees that it will make all payments due hereunder by wire transfer at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made or, if so requested in writing by a party entitled to receive a payment hereunder, by check of the Lessee drawn on a bank located in Chicago, Illinois, and mailed to such party at the address so provided.

2.5. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from any cause whatsoever, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of the right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been stored by the Lessee for the Lessor for the full period therein provided or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and shall terminate ten (10) years following the Term Lease Commencement Date in respect of such Item, subject to the provisions of Sections 11 and 18 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title

to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its respective road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"OWNED BY AND LEASED FROM A BANK OR TRUST COMPANY
AS TRUSTEE, AND SUBJECT TO A SECURITY AGREEMENT
FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c".

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the rack number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new rack numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease (or a financing statement of similar nature thereof) shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT AS-IS WITHOUT WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, INCLUDING, WITHOUT LIMITATION, THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease so, long as no Event of Default (as defined in Section 14.1 hereof) shall have occurred and be continuing, to assert and

enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Trustor, the Security Trustee and the Lenders and their respective successors, agents and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including, without limitation, the possession, construction, purchase, delivery, installation, ownership, leasing, return, sale or disposition of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder or under any of the Operative Agreements (as defined in the Participation Agreement and hereinafter referred to as the "Operative Agreements"), (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort relating to the Equipment or the Operative Agreements.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability, and may select such counsel as it deems appropriate in connection with such matter; provided that, if Lessor shall reasonably determine that it is in the best interests of the Lessor or the Trustor to appoint another counsel,

then the Lessee agrees to the appointment of such alternative counsel as the Lessor shall select and to pay the reasonable fees and expenses thereof. The indemnities and assumptions of liabilities set forth in this Section 6 do not constitute a guaranty of a residual value in the Equipment nor a guaranty of payment of the Notes.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. Except as required by the provisions of Section 7 hereof, and except as otherwise permitted by the provisions of this Section 8, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor which shall not be unreasonably withheld; provided that the Lessor agrees to consent to any modifications that do not reduce the value or materially change the character of such Item. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as: (a) it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable matter which will not affect or endanger the title and interest of the Lessor to the Equipment, and (b) it establishes and maintains a reserve therefor in accordance with generally accepted accounting principles. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

Without limiting the foregoing, the Lessee further agrees that it will keep each Item of Equipment free and clear of any liens, charges, encumbrances or claims of the owner or owners of any interest in any units of railroad rolling stock to which any such Item of Equipment is at any time attached or affixed and of any purchasers of or present or future creditors obtaining a lien on such unit or units of rolling stock, and the Lessee will permit an Item of Equipment to be attached or affixed to a unit of rolling stock only in a manner so as to permit such Item to be readily removable from such unit of rolling stock without material damage to such Item or to such unit of rolling stock and without diminishing or impairing the value or utility of such Item or the value or utility such unit of rolling stock would have had at such time had such Item not been so attached or affixed.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. The Lessee will, at its sole expense, cause this Lease and the Security Agreement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) to be duly filed, recorded or deposited with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, with the Registrar General of Canada (with notice of such deposit to be published in The Canada Gazette) in accordance with Section 86 of the Railway Act of Canada and in such other public offices within or without the United States as shall be required by law for the protection of the Lessor's title to, and the Security Trustee's security interest in, the Equipment and this Lease arising under and by virtue of the Security Agreement. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or rerecord whenever required) any and all further instruments (including, without limitation, financing and continuation statements or similar notices thereof) required by law or reasonably requested

by the Lessor or the Security Trustee for the purpose of protecting the Lessors's title to, or the Security Trustee's security interest in, the Equipment and this Lease or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will upon the written request of the Lessor or the Security Trustee deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Taxes. (a) General Indemnity. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay and to indemnify and hold the Lessor, the Collateral (as defined in the Security Agreement referred to in Section 16 hereof), the Trustor, the Interim Lender (as defined in the Participation Agreement), the Lenders and the Security Trustee (hereinafter referred to individually as a "Tax Indemnitee") harmless from and against all license and registration fees and all taxes now or hereafter imposed by law, including, without limitation, income, gross receipts, leasing, leasing use, franchise, sales, use, personal property (tangible or intangible), stamp and interest equalization taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon (collectively, "taxes, fees or other charges") imposed against any Tax Indemnitee, the Lessee, any Item of Equipment or any part thereof by any Federal, state or local government or taxing authority, or by any foreign government or any subdivision or taxing authority thereof, (i) upon or with respect to an Item of Equipment or any part thereof, (ii) upon or with respect to the reconstruction, construction, purchase, loan financing, ownership, delivery, installation, lease, possession, use, operation, return, sale or other disposition of an Item of Equipment, (iii) upon or with respect to payments of rent and receipts or profits arising therefrom, and (iv) upon or with respect to the Operative Agreements or the issuance of the Notes.

The provisions of this Section 10.2(a) shall not apply to the following taxes payable by the Trustor (as distinguished from the Lessor): (1) Federal income taxes imposed by Sections 11, 56 or 1201(a) of the Internal Revenue Code of 1954, as amended (the "Code") or (2) the aggregate of the following taxes up to the amount of any such taxes which would be payable in the state or locality in which the Trustor has its principal place of business without apportionment to any other state: (i) all state or local income taxes or franchise taxes measured solely by net income based on such receipts or (ii) gross receipts taxes [other than gross receipts taxes in the nature of sales, use or rental taxes], or (iii) value added taxes in lieu of net income taxes; provided, however, that the Lessee agrees, anything to the contrary notwithstanding, to pay any such taxes, fees or other charges on or measured by any sums payable under any of the Operative Agreements or the net income therefrom which the Tax Indemnitee can reasonably establish are in substitution for or relieve the Lessee from any tax which the Lessee

would otherwise be obligated to pay under the terms of this Section 10.2. In the event that any taxes, fees or other charges accrue or become payable or are levied or assessed during the continuance of this Lease, or are levied or assessed after the expiration of this Lease but are attributable to the period of time during which this Lease is in existence, the Lessee's obligation pursuant to this Section 10.2 to pay or reimburse such taxes, fees or other charges shall continue until all such taxes, fees or other charges are paid or reimbursed by the Lessee. To the extent that any taxes hereinabove referred to in this Section 10.2 are included in the Total Cost of Equipment for any Item, the Lessee shall not be obligated under this Section 10.2 for indemnification with respect to such taxes.

(b) Further Indemnity. The Lessee further agrees that, with respect to any payment or indemnity under this Section 10.2(a), the Lessee shall also indemnify each Tax Indemnitee for all taxes required to be paid by such Tax Indemnitee with respect to such payment or indemnity under the laws of any Federal, state, local or other taxing authority in the United States of America and with respect to any payment pursuant to this subsection (b), after taking into account the timing and amount of any net tax benefit to such Tax Indemnitee occasioned by the payment of taxes, fees or other charges giving rise to such payment or indemnity.

(c) Tax Returns. In case any return, statement or report is required to be made with respect to any taxes, fees or other charges imposed on or borne or indemnified by the Lessee under this Section 10.2, the Lessee shall:

(i) to the extent required or permitted by law, make and file in its own name such return, statement or report in such manner as will show the ownership of the Items of Equipment in the Lessor;

(ii) in the case of any other such return, statement or report required to be made in the name of a Tax Indemnitee, advise the Lessor and such Tax Indemnitee of such fact and prepare such return, statement or report for filing by such Tax Indemnitee, or, where such return, statement or report is required to reflect items in addition to taxes, fees or other charges imposed on or borne or indemnified by the Lessee under this Section 10.2, provide such Tax Indemnitee with information sufficient to permit such return, statement or report to be properly made with respect thereto. The Lessee shall hold each Tax Indemnitee harmless from and against any liabilities, obligations, losses, damages, penalties, claims, actions, suits and costs arising out of any insufficiency or inaccuracy in any such return, statement, report or information if any such insufficiency or inaccuracy is attributable to the Lessee.

(d) Time and Manner of Indemnity Payments; Contest Rights. Any payment or indemnity payable by the Lessee pursuant to this

Section 10.2 shall be payable at such time as the taxes, fees or other charges giving rise to such payment or indemnity become payable, or, in the case of any tax, fee or other charge collected by withholding, at the time such withholding is required. In the case of any taxes, fees or other charges required or permitted to be paid directly by the Lessee, the Lessee shall make payment thereof to the appropriate taxing or other governmental jurisdiction. In the case of any taxes, fees or other charges paid directly by a Tax Indemnitee and indemnity payments for which the Tax Indemnitee is to be reimbursed under this Section 10.2, the Lessee shall make payment to the Tax Indemnitee entitled thereto promptly upon receipt of notice from such Tax Indemnitee setting forth the basis for the amount of such reimbursement. If any tax paid by withholding or on an estimated basis by a Tax Indemnitee is later increased or decreased on a final return, any payment previously made on account of such tax under this Section 10.2 shall be appropriately adjusted.

Notwithstanding the foregoing, the Lessee shall be under no obligation to pay any tax, fee or other charge so long as such tax, fee or other charge remains unpaid and the Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such tax, fee or other charge, or the Trustor is required to contest such imposition as provided herein, and the nonpayment thereof, does not, in the reasonable opinion of the Trustor, adversely affect the title, property or rights of any Tax Indemnitee. The Lessee agrees to give the Trustor notice of such contest brought in the Lessee's name within 30 days after institution thereof and the Trustor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. In the event the Lessee (i) is prohibited by law from contesting a tax, fee or other charge in its own name or (ii) is unable to contest a tax, fee or other charge in its own name due to lack of necessary information, provided that the Lessee has made a reasonable attempt to obtain such necessary information and is unable to obtain such information, the Trustor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition in the case of a tax, fee or other charge in excess of \$25,000. The Trustor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Trustor for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Trustor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Trustor or the Lessee under this Section 10.2. The Lessee shall be entitled to any refunds received by the Trustor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

(e) Federal Tax Attributes, Indemnification Agreement.

It is the intent of the Trustor and the Lessee that this Lease will be recognized as a lease for all Federal, state and local income tax purposes, that this Lease does not convey to the Lessee any right,

title or interest in or to the Items of Equipment except as lessee and that for Federal income tax purposes the Trustor will be treated as the owner of the Items of Equipment and entitled to such deductions, credits and attributes as are provided by the Code with respect to such ownership. To that end, the Lessee has entered into an Income Tax Indemnification Agreement dated as of March 1, 1978 (the "Income Tax Indemnification Agreement") among the Lessor, the Trustor and the Lessee (which Income Tax Indemnification Agreement is hereby incorporated herein and made a part hereof) with the Trustor pursuant to which the Lessee has agreed to indemnify the Trustor against loss of the benefit of certain such tax attributes, as more fully set forth in such Income Tax Indemnification Agreement, in accordance with the terms and conditions thereof.

For purposes of this Section 10.2, the term "Trustor" shall include any member of an affiliated group, of which the Beneficiary (as defined in the Trust Agreement referred to in the Participation Agreement) is, or may become, a member if consolidated, joint or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

The Lessee and the Trustor hereby agree that all payments made by the Lessee pursuant to this Section 10.2 or the Income Tax Indemnification Agreement shall be deemed to be payments of additional rent for the Equipment.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Equipment at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by railroad companies in respect of similar equipment and in any event comparable to those risks insured against by the Lessee in respect of similar equipment owned by it. If and to the extent the Lessee self-insures with respect to any such insurance coverage within the limitations of this Section 11.1, the Lessee shall set aside reserves in connection therewith in accordance with generally accepted accounting principles. The Lessee currently maintains the insurance coverage described in Schedule D attached hereto. The policies of insurance required under this Section 11.1 shall be valid and enforceable policies issued by insurers of recognized responsibility comparable to the Lessee's present insurers. The benefits of all property insurance shall be payable, so long as the Notes shall not have been paid in full, to the Security Trustee and thereafter to the Lessor, and the Lessee will deliver certificates of insurance evidencing any property insurance effected or in force in accordance with the provisions of this paragraph. With respect to all public liability insurance, the Lessee shall cause each policy to cover the respective interests of the Lessor and the Security Trustee for claims arising from the ownership, operation, maintenance or use of the Equipment and to name the Lessor and the Security Trustee as additional insureds.

Upon the execution of each Certificate of Acceptance, and thereafter not less than 10 days prior to the expiration dates of any expiring policies theretofore furnished under this Section 11.1, originals of the policies and satisfactory evidence of the payment of premiums thereon shall be delivered by the Lessee to the Lessor and the Security Trustee, except that the Lessor and the Security Trustee may accept certificates of insurance from a recognized insurance broker of national standing, which certificates shall be satisfactory to the Lessor and the Security Trustee. Such policies may be blanket policies covering other equipment not covered by this Lease, provided that the aforementioned certificate shall indicate that Equipment leased hereunder is included therein and covered thereby to the full extent of amounts herein required. All such policies shall contain an agreement by the insurers that such policies shall not be cancelled without at least 10 days' prior written notice to the Lessor and the Security Trustee and that the insurer will give notice to the Lessor and the Security Trustee in the event of nonpayment of premium by the Lessee when due.

Any net insurance proceeds (excluding public liability insurance) resulting from insurance carried by the Lessee or condemnation payments received by the Lessor in respect of the Equipment suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 11. If the Lessor shall receive any such net insurance proceeds or condemnation payments after the Lessee shall have made a Casualty Value payment pursuant to this Section 11 without deduction for such net insurance proceeds or such condemnation payments, the Lessor shall pay such net insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to an Item paid by the Lessee unless an Event of Default or other event (hereinafter called a "Default") which with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 11.3. The balance of such net insurance proceeds or condemnation payments shall remain the property of the Lessor. All net insurance proceeds (excluding public liability insurance) received by the Lessor or the Lessee with respect to an Item not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Item, but no such proceeds shall be paid to the Lessee until the Lessor and the Security Trustee shall have received a certificate signed by an authorized officer of the Lessee to the effect that such damage has been fully repaired; and any balance remaining after the completion of such repairs shall be paid to the Lessee unless an Event of Default or Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under Section 11.3.

11.2. Casualty Occurrence and Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or in the opinion of the Lessee, irreparably

damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Security Trustee in regard thereto and shall pay the Casualty Value (as defined in Section 11.7 hereof) of such Item in accordance with the terms hereof.

11.3. Payment for Casualty Occurrence. In the event of a Casualty Occurrence with respect to any Item of Equipment of which the Lessee has knowledge prior to the Term Lease Commencement Date for such Item, the Lessee, on such Term Lease Commencement Date, shall pay to the Lessor a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment, plus the installment of Interim Rental due on such date. In the event of a Casualty Occurrence with respect to any Item of Equipment of which the Lessee has knowledge on or after the Term Lease Commencement Date for such Item, the Lessee, on the next succeeding Fixed Rental payment date, shall pay to the Lessor a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment. The installment of Fixed Rental in respect of the Item or Items for which the Casualty Value is then being paid which would be otherwise due on such date of payment of the Casualty Value need not be paid if such Casualty Value is so paid.

11.4. Optional Retirement of Equipment. When, in the good faith judgment of the Vice President-Operations and Secretary of the Lessee, any of the Items of Equipment then leased hereunder for a period of 6.75 years or more shall have become economically unserviceable, the Lessee may, provided no Event of Default or Default shall have occurred and be continuing, upon not less than 30 days' prior written notice to the Lessor and the Security Trustee, which notice shall identify such Item or Items of Equipment and designate the date on which termination will be effective and settlement therefor will be made, terminate this Lease with respect to such Items of Equipment as of the payment date for the twenty-eighth installment of Fixed Rental in respect of such Item or Items or as of any succeeding payment date for Fixed Rental during the original term of this Lease with respect to such Items of Equipment upon payment to the Lessor of an amount equal to the Casualty Value of such Item or Items of Equipment. For purposes of this Section 11.4, economic unserviceability with respect to an Item of Equipment shall mean that such Item is no longer economic for the Lessee to retain because of changed economic circumstances, it being understood and agreed that in making such determination, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price shall be disregarded.

11.5. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing on and subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.6. Disposition of Equipment. Provided no Event of Default or Default shall have occurred and be continuing, or if, notwithstanding either such event, the Lessor shall have so directed, the Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence or been the subject of a determination of economic unserviceability pursuant to Section 11.4 hereof as soon as it is able to do so in a commercially reasonable manner in its then existing condition and location without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of and for which all rent and Casualty Value has been paid pursuant hereto, the Lessee may, provided no Event of Default or Default shall have occurred and be continuing, retain all amounts arising from such disposition plus, in the case of a Casualty Occurrence, any insurance proceeds and damages received by the Lessee up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment. Neither the Lessee nor any "affiliate" (as that term is hereinafter defined) of the Lessee shall be permitted to purchase any Item of Equipment with respect to which this Lease has been terminated pursuant to Section 11.3 or Section 11.4 unless such Item cannot be made economically serviceable and as a consequence thereof is to be scrapped or dismantled for the purpose of salvaging useable parts, in which event the Lessee may purchase any such parts. Any sale or other disposition pursuant to this Section 11.6 must be effective to fully divest the Lessor of all of the Lessor's right, title and interest in and to, and all obligations of the Lessor with respect to, such Item or Items. It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the sale or other disposition of any Item of Equipment.

For purposes of this Section 11.6, the term "affiliate" shall mean: (a) any subsidiary of the Lessee or any corporation or other person reported in the published financial statements of the Lessee on an equity in net assets basis in accordance with generally accepted accounting principles, or (b) any "related person" within the meaning of Section 318 of the Code.

11.7. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is required to be paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price of Equipment of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment. Such Casualty Value shall in all events

be sufficient in amount to satisfy the requirements of Section 4.1(b) of the Security Agreement.

11.8. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing throughout the term hereof and during any storage period provided in Sections 13 and 15 hereof until: (a) payment of the Casualty Value and any Fixed Rental due prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, (b) such Item or the salvage thereof has been disposed of by the Lessee, and (c) the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.9. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the original term of this Lease in respect of such Item, the Lessee's obligation to pay rent shall continue for the duration of the requisitioning or taking of such Item. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession of such Item to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before May 31 in each year, commencing with the year 1979, the Lessee will furnish to the Lessor and its assigns an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement; the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 16 hereof each shall have the right, at its sole cost, liability and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, such assignee,

the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, remove the same from any unit of railroad rolling stock to which it is attached and deliver possession of such Item of Equipment to the Lessor at such reasonable storage place on the lines of railroad operated by the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 180 days from the date the last Item of Equipment having the same Term Lease Commencement Date as such Item is delivered to storage tracks pursuant to this Section 13 and transport the same at any time within such 180-day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; provided, that the obligations of the Lessee to so transport shall be limited to only one such movement in respect of any such Item of Equipment. The Lessor will use its best efforts to completely remove the Equipment from storage as soon as possible within the relevant 180-day period. The Lessee covenants that, at the time any Item of Equipment is returned to the Lessor in the manner above provided, it will then be in compliance with all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Equipment. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default ("Event of Default") hereunder:

- (a) Default shall be made in the payment of any part of the rental or other sums provided in Sections 2

or 11 hereof and such default shall continue for five calendar days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or the unauthorized possession of any Item of Equipment under this Lease; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made by the Lessee herein or in any of the other Operative Agreements or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease or any of the other Operative Agreements is untrue in any material respect as of the date of issuance or making thereof; or

(e) Any obligation of the Lessee or any Subsidiary (as hereinafter defined) for borrowed money or payment of rent (other than such obligation of any such Subsidiary to the Lessee or any other Subsidiary and other than such obligation of the Lessee to the Federal Railroad Administration ("F.R.A.") evidenced by a written agreement between such parties and permitting the F.R.A. to accelerate such obligation upon default thereof) becomes or is declared to be due and payable prior to its express maturity by reason of default by the Lessee or any such subsidiary in the performance or observation of any obligation or condition, provided, however, that claimed defaults which are contested in good faith by the Lessee and for which the Lessee has established and is maintaining in accordance with generally accepted accounting principles an adequate reserve shall not constitute an event of default hereunder; or

(f) An Event of Default as set forth in Section 14.1 of that certain Equipment Lease No. 1 dated as of March 1, 1978 between the Lessor and the Lessee; or

(g) An Event of Default as set forth in Section 14.1 of that certain Equipment Lease dated as of March 15, 1978 between Continental Illinois National Bank and Trust Company of Chicago, as Trustee under Chicago North Western Trust No. 78-2, and the Lessee; or

(h) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed,

nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed for the then unexpired term hereof in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status and priority as obligations incurred by such trustee or trustees which are entitled to the first priority for expenses and administration, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(1) Any other proceedings shall be commenced by or against the Lessee or any proceedings shall be commenced by or against any Subsidiary for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against the Lessee or any Subsidiary, such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) within 60 days after such proceedings shall have commenced, or the Lessee or any Subsidiary shall become insolvent or bankrupt or shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, or a trustee or receiver is appointed for the Lessee or any Subsidiary or for the major part of the property of any thereof and is not discharged within 60 days after such appointment.

For purposes of this Section 14.1 the term "Subsidiary" shall mean any corporation of which more than 50% (by number of votes) of the Voting Stock shall be owned by the Lessee and/or one or more corporations which are themselves Subsidiaries, or in respect of which the Lessee is a Subsidiary within the meaning of this definition, except any corporation the primary purpose of which is to own any interest in any line of railroad constructed or rehabilitated for the purpose of transporting coal from the Powder River Basin in Wyoming. "Voting Stock" shall mean securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period, such present worth to be computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; and (ii) any damages and expenses, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, Fair Market Value and Fair Rental Value for any Item of Equipment shall be determined in the manner contemplated by the appraisal arrangements specified in Section 18 hereof for Fair Rental Value, provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market

Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith remove such Equipment from any unit of railroad rolling stock to which such Equipment is attached and place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain the insurance required by Section 11.1 hereof; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinabove provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

The Lessee and the Lessor hereby confirm that, concurrently with the execution and delivery of this Lease, the Lessor has executed and delivered to the Security Trustee the Security Agreement which assigns and grants a security interest to the Security Trustee in, to and under this Lease and certain of the rentals and other amounts payable hereunder, all as more explicitly set forth in Section 1 of the Security Agreement. The Lessee hereby acknowledges receipt of an executed copy of the Security Agreement and agrees that the sums payable by the Lessee hereunder which have been assigned to the Security Trustee under the Security Agreement shall be paid to or upon the written order of the Security Trustee; provided that until receipt of any such written order the Lessee may make all such payments in accordance with the provisions of Section 2.4 hereof. Without limiting the foregoing, the Lessee further acknowledges and agrees that, so long as any indebtedness secured by the Security Agreement remains unpaid, (a) the rights of the Security Trustee in and to the sums payable under this Lease which are assigned to the Security Trustee under the Security Agreement shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, the Lessee shall be unconditionally and absolutely obligated to pay the Security Trustee all of the rents and other sums which are the subject matter of the assignment, and (b) except as otherwise provided in the Security Agreement, the Security Trustee shall, if an Event of Default or Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own

name or in the name of the Lessor for the use and benefit of the Security Trustee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

It is understood and agreed that the right, title and interest of the Security Trustee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Security Trustee, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor and the Security Trustee, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. The Lessee shall also have the right, upon receipt of the prior written consent of the Lessor and the Security Trustee (which consent will not be unreasonably withheld), to sublease the Equipment. In no event shall any assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety. Anything contained in this Section 17 to the contrary notwithstanding, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to, or permit the use by any sublessee of any Item of Equipment in, service outside the United States and Canada. The Lessee will, however, use its best efforts consistent with normal business practice to prevent the use of the Equipment outside of the United States.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed in writing satisfactory to the Lessor and the Security Trustee the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor. The Lessee agrees to give the Lessor and the Security Trustee prior written notice of any such merger, consolidation or acquisition.

SECTION 18. RENEWAL AND PURCHASE.

18.1. Initial Election. Provided that this Lease has not been earlier terminated and no Event of Default or Default shall have occurred and be continuing hereunder, the Lessee may by written notice delivered to the Lessor not less than (a) 270 days prior to the end of the original term hereof in respect of any Items of Equipment, notify the Lessor that the Lessee irrevocably elects either that it shall extend the term of this Lease in respect of such Items or offer to purchase the same, all on the basis hereinafter provided, (b) 270 days prior to the end of the first extended term, if any, of this Lease in respect of any Items of Equipment, notify the Lessor that the Lessee irrevocably elects that it shall either extend the term of this Lease in respect of such Items or offer to purchase the same, all on the basis hereinafter provided, and (c) 180 days prior to the end of the second extended term, if any, of this Lease in respect of any Items of Equipment, notify the Lessor that the Lessee elects to offer to purchase the same on the basis hereinafter provided.

18.2. Renewal. Any extension of the term of this Lease pursuant to clauses (a) or (b) of Section 18.1 hereof shall be in respect of all, but not less than all, of the Items of Equipment for which the lease term is then expiring, shall be for a one-year period commencing on the scheduled expiration of the original term or the first extended term of this Lease in respect of such Items; and shall be subject to the terms and conditions herein contained for the original term of this Lease; provided that the Quarterly Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment.

The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease, and which value shall not reflect the value of any additions or improvements which can be readily removed from an Item of Equipment without material damage to such Item. If 90 days after receipt by the Lessor of the notice of the Lessee's election to exercise the renewal option, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item or Items in question, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 60 days prior to the date of commencement of the applicable renewal term, then the term "Appraiser" shall mean an appraiser chosen by the American Arbitration Association. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. Upon receipt of notice of such determination, the Lessor and the Lessee shall have the option to enter or not enter into such renewal; however, in the event they elect to enter into the renewal, the appraiser's determination of such Fair Rental Value shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

Section 18.3. Offer to Purchase. Any offer to purchase pursuant to clauses (a), (b) or (c) of Section 18.1 hereof shall be with respect to all, but not less than all, of the Items of Equipment for which the lease term is then expiring. If the Lessee notifies the Lessor that it intends to offer to purchase the Items pursuant to clauses (a), (b) or (c) of Section 18.1 hereof, such notice shall include the amount which it is willing to pay for such Items and the terms upon which it is willing to make such purchase.

The Lessor agrees that it will accept or reject the Lessee's offer to purchase or make a counter-offer for such purchase within 30 days of the receipt of the Lessee's offer. If the Lessor makes a counter-offer, the Lessee has 30 days within which to accept or reject such counter-offer. If the Lessor rejects the Lessee's offer to purchase or the Lessee rejects the Lessor's counter-offer, the Lessee shall have any right contained herein to elect to extend the term of this Lease with respect to such Items of Equipment if the Lessee notifies the Lessor of such election within 10 days after the final rejection in relation to the offer to purchase. Such notice shall be treated as an irrevocable election to extend the term of this Lease in respect of such Items of Equipment pursuant to clauses (a) or (b) of Section 18.1 hereof. It is expressly understood that notwithstanding the Lessee's right to notify the Lessor of

its desire to purchase any Items of Equipment, the Lessor is not under any obligation to and does not currently have any intention of selling any Items at the end of the original term of this Lease. If the Lessee does not purchase the Equipment and the Lessee does not elect to extend the term of the Lease during the times provided for such election, then the Lessor may thereafter sell or lease the Equipment to any person on any terms subject only to the rights of the Lessee under this Lease with respect to such Equipment. For the purposes of this Section 18.3 the expiration of any time period specified herein without acceptance, rejection or counter-offer shall be deemed a rejection.

Upon payment of the purchase price of any Item, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without recourse, representation or warranties of any kind) for such Item as will transfer to the Lessee such title to such Item as the Lessor derived from the Manufacturer, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

18.4. Delivery of Equipment. Any Items of Equipment which the Lessee has not purchased as provided in Section 18.3 hereof or as to which this Lease has not been renewed as provided in Section 18.2 hereof shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 10% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor, the Trustor and the Lessee and their respective successors and assigns, that this Lease is executed by Continental Illinois National Bank and Trust Company of Chicago, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Continental Illinois National Bank and Trust Company of Chicago hereby warrants that it possesses full power and authority to enter into and perform this Lease). It is further expressly understood and agreed by and between each of such parties that, except as otherwise provided

in the Participation Agreement, nothing herein contained shall be construed as creating any liability on Continental Illinois National Bank and Trust Company of Chicago or the Trustor, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee and that so far as Continental Illinois National Bank and Trust Company of Chicago or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease.

20.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor: Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee under Chicago North
Western Trust No. 78-1
231 South LaSalle Street
Chicago, Illinois 60693

Attention: Corporate Trust Department

If to the Lessee: Chicago and North Western
Transportation Company
400 West Madison Street
Chicago, Illinois 60606

Attention: Vice President-Finance

If to the Security
Trustee: Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Attention: Indenture Trust Division

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

20.3. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee

to the Lessor upon demand as additional rent hereunder, with interest at the rate of 10% per annum.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

20.5. Law Governing. This Lease shall be construed in accordance with the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

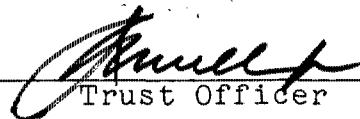
20.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

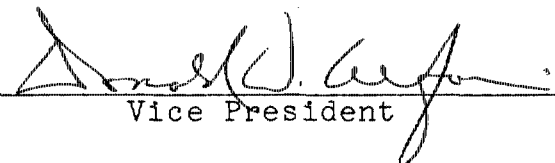
IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under Chicago North
Western Trust No. 78-1

[CORPORATE SEAL]

ATTEST:

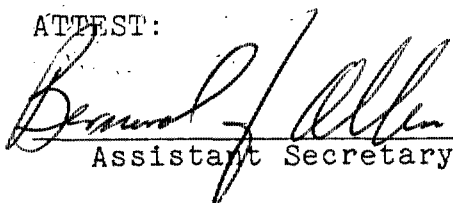

Trust Officer


By 
Vice President

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

[CORPORATE SEAL]

ATTEST:


Assistant Secretary

By 
Vice President

This Lease and certain rent due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Harris Trust and Savings Bank, as Security Trustee (the "Security Trustee") pursuant to a First Security Agreement-Trust Deed dated as of March 1, 1978 between the Lessor and the Security Trustee. Information concerning such security interest may be obtained from Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690, Attention: Indenture Trust Division.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 5th day of June, 1978, before me personally appeared Ronald W. Alfons to me personally known, who being by me duly sworn, says that he is the Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Leona K. Kuder
Notary Public

[NOTARIAL SEAL]

My commission expires:

My Commission Expires April 19th, 1982

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 1st day of June, 1978, before me personally appeared J.M. Butler, to me personally known, who being by me duly sworn, says that he is the Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lee S. Sweeney
Notary Public

[NOTARIAL SEAL]

My commission expires:

10-27-80

DESCRIPTION OF ITEMS OF EQUIPMENT

MANUFACTURER: Whitehead & Kales Company

PLANT OF MANUFACTURER: Detroit, Michigan

DESCRIPTION OF EQUIPMENT: 175 Enclosed Tri-Level Auto Racks and 25 Enclosed Bi-Level Auto Racks

SPECIFICATIONS: Per Letters of Chicago and North Western Transportation Company dated March 30, 1977 and February 15, 1978, each to Whitehead & Kales Company; per Proposals dated December 16, 1977 and December 21, 1977 of Whitehead & Kales Company to Chicago and North Western Transportation Company; and per Letter of Whitehead & Kales Company dated March 22, 1978 to Chicago and North Western Transportation Company

PURCHASE PRICE: Not to exceed \$34,900 per Item (\$6,107,500 for 175 Items) for 175 Tri-Level Auto Racks and \$28,000 per Item (\$700,000 for 25 Items) for 25 Bi-Level Auto Racks

DELIVERY TO: Chicago and North Western Transportation Company

PLACE OF DELIVERY: Detroit, Michigan

ESTIMATED DELIVERY DATE: September, 1978-March, 1979

OUTSIDE DELIVERY DATE: March 31, 1979

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: Continental Illinois National Bank and Trust
Company of Chicago, as Trustee under the
Equipment Lease No. 2 dated as of March 1,
1978 (the "Lessor")

Whitehead and Kales Company (the "Manufacturer")

I, a duly appointed and authorized representative of
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Lessee")
under the Equipment Lease No. 2 dated as of March 1, 1978 between
the Lessor and the Lessee, do hereby certify that I have inspected,
received, approved and accepted delivery under the Lease of
the following Items of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Items of Equipment
are in good order and condition, and appear to conform to the
Specifications applicable thereto, that the Lessee has no knowledge
of any defect in any of the foregoing Items of Equipment with
respect to design, manufacture, condition or in any other
respect, and that each Item has been labeled by means of a plate
or a stencil printed in contrasting colors upon each side of the
Item in letters not less than one inch in height as follows:

"OWNED BY AND LEASED FROM A BANK OR TRUST
COMPANY, AS TRUSTEE, AND SUBJECT TO A
SECURITY AGREEMENT FILED UNDER THE
INTERSTATE COMMERCE ACT, SECTION 20c".

The execution of this Certificate will in no way relieve
or decrease the responsibility of the Manufacturer of the Equipment
for warranties it has made with respect to the Equipment.

Dated: _____, 197_.

(Chicago North Western
Trust No. 78-1)

Inspector and Authorized Representative
of Chicago and North Western
Transportation Company

SCHEDULE B
(to Equipment Lease No. 2)

FIXED RENTAL:

For each Item of Equipment forty (40) quarterly Fixed Rental installments in arrears as follows:

(i) The first sixteen (16) installments shall be equal to 2.9475% of the Purchase Price of such Item of Equipment; and

(ii) The final twenty-four (24) installments shall be equal to 2.8075% of the Purchase Price of such Item of Equipment.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

SCHEDULE OF CASUALTY VALUE

*The Casualty Value for an Item of Equipment payable on the Term Lease Commencement Date in respect of such Item or any rental payment date thereafter shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule:

<u>Term Lease Commencement Date or Number of Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Purchase Price Payable as Casualty Value</u>
Term Lease Commencement Date	103.359325
1	103.359325
2	103.226390
3	103.031441
4	102.773619
5	102.452055
6	102.002567
7	101.422707
8	100.709987
9	99.861871
10	98.911657
11	97.857604
12	96.697947
13	88.753554
14	87.398400
15	85.953819
16	84.418479
17	82.791035
18	81.234692
19	79.608687
20	77.912256
21	69.467277
22	67.649592
23	65.795671
24	63.904947
25	61.976848
26	60.016117
27	58.022298
28	55.994936
29	47.256224
30	45.165708

(Chicago North Western
Trust No. 78-1)

SCHEDULE C
(to Equipment Lease No. 2)

Term Lease Commencement Date or Number of Fixed Rental Payment Date on which Casualty Value is Paid	Percentage of Purchase Price Payable as Casualty Value
31	43.045710
32	40.895895
33	38.715927
34	36.508134
35	34.272251
36	32.008114
37	29.715259
38	27.417617
39	25.115070
40	22.807503
Thereafter	20.000000

*Casualty Value does not include any amounts for which any Tax Indemnatee (as defined in Section 10.2 of the Lease) may be entitled to indemnification under Sections 6 and/or 10.2 of the Lease.

INSURANCE COVERAGE

In general, the Lessee currently assumes any and all casualty losses and claims to a limit of \$2,500,000 per occurrence. Above such amount, the Lessee maintains major casualty insurance coverage placed by a recognized insurance broker through Lloyds of London and various domestic and foreign insurers for: (i) all risks of loss to all property owned, leased or for which liability is assumed in writing of \$17,500,000 excess of \$2,500,000, and/or (ii) liability to others for bodily injury, FELA, or loss or damage to the property of others including property in its care, custody and control such as lading and foreign line rolling stock of \$37,500,000 excess of \$2,500,000.